

PERSI announces \$155.4 million gain sharing

Gain sharing distributions to occur January 31, 2001. Confirmation notices to be sent in early February, 2001.

Gain Sharing, the new PERSI benefit created by the 2000 Idaho Legislature, is becoming a reality, with the first distributions occurring in January 2001. With Gain Sharing, PERSI is able to share excess earnings with our eligible active members, retirees and employers. This year, for our initial Gain Sharing distribution, we are sharing \$155.4 million dollars among the three groups.

If you are an eligible active member (see *eligibility* box), we will set up a *ChoicePlan* 401(k) account for you within PERSI and deposit your gain sharing payment into your *ChoicePlan* account. Like your PERSI *BasePlan*, your *ChoicePlan* is intended to help ensure you have a secure retirement, therefore, you may not withdraw your

ChoicePlan account until you retire or terminate work.

When the deposit occurs in January, you will receive a PERSI *ChoicePlan* confirmation notice showing the amount deposited into your individual *ChoicePlan* account. Your deposit amount will be about 4.56% of your regular PERSI *BasePlan* account balance as of June 30, 2000. PERSI's 53,000 eligible active members will share some \$59 million. The **average** member with a *BasePlan* account balance of about \$24,475 will receive a distribution of about \$1,112.

Voluntary contributions and investment options

Later in 2001 (when we have the technical infrastructure in place) you may begin to make voluntary contributions to your *ChoicePlan* through tax-deferred payroll deduction. Watch

for more information on this.

Initially your gain sharing funds and your voluntary contributions will be invested in the same funds as the total PERSI portfolio (the PERSI Total Return Fund). Soon, we will offer a variety of investment funds for you to select from. Watch for more information on this as well. Future quarterly statements will show investment earnings or losses on these funds. If you choose to make voluntary contributions to your *Choice* account, future statements will show your contributions and earnings or losses on those funds as well.

Employers and retirees also receive gain sharing

PERSI's 638 employers will share some \$77.7 million in the form of credits against future

[continued on page 2](#)

A Message from the Chairman, Jody B. Olson

Gain sharing brought to you by dedicated PERSI employees



Jody B. Olson
Retirement Board Chairman

As you all know, PERSI will be making our first gain sharing distributions to you, our members, this January. Something you might not all know, however, is that I believe this valuable new program from which we will all benefit, would not have been possible if it wasn't for some very special people - the PERSI staff.

First of all, I'd like to recognize Bob Maynard, PERSI's Chief Investment Officer. Bob joined PERSI just over eight years ago, at a time when the system was just starting to climb out of a sizable funding deficit. At the time, PERSI had about \$2 billion in assets, and an unfunded liability of about \$800 million. Bob took control of the PERSI portfolio, made changes to dramatically improve our returns as well as our stability, and has led the team that has brought us to where we are today - a \$7 billion plan that is 116% funded and able to grant gain sharing to you.

"We have been very fortunate that our long-term investment strategy has given us such

handsome returns in recent years. While we do not expect these stunning markets to continue forever, it is nice to know that when the markets do offer their occasional periods of superlative returns, our investments capture those opportunities," said Bob.

Next, I'd like to commend Executive Director, Alan Winkle, and his senior managers: Deputy Director, Ted Aho; Financial Officer, Jim Monroe; Benefits Manager, Susan Shaw; Field Services Manager, Judy Aitken; Information Technology Manager, Carol Boylan; Communications Manager, Becky Crowther; Defined Contribution Plan Specialist, Gay Lynn Bath; Management Assistant, Joanne Ax; and Deputy Attorney General assigned to PERSI, Brad Goodsell. This group is doing an excellent job of planning and implementing the new programs within a very short timeframe.

Last, but not least, I want to recognize the hard-working staff at PERSI. The new Gain Sharing and *Choice* plan programs, in essence, have doubled the workload for PERSI, but only a few new staff members have been added. The staff is going all out to implement a new computer system and initiate the new programs. This has not been easy and I really appreciate all the extra effort.

Staff members are:

Benefits: Lenna Strohmeyer, Kay Prince, Marian Van Gerpen, Shirley Clark, Lisa Coburn, Gerry Sjol, Lois Hathorn, Micaela Larrondo, Melody Hodges, Penny Walls and Mary Christensen.

Field Services: Anna Garlock, Heidi Andrade, Judith Forges, Susan Strouth, Lynn Duncan, Catherine Atchison, Judy Shock, Roger Bartlett, Lisa Mabe, Lynne Yowell, Jan Murphy and Kari Caven.



Bob Maynard
PERSI Chief Investment Officer

Financial: Tess Myers, Rhonda Yadon, Jo Anne Dieffenbach, Sue Zweifel, Barbara Weirick, Debbie Buck, Adrienne Yates, and Shasta Luper.


Information Technology: Tim Thuis, Joy Fereday, Lance Olson, Kris Colt, Phyllis Siefkas, Stacy Bussert and Nancy Fauver.

Communications: Maxine Thomas and Bill Duncan

Defined Contributions: Karen Miller

Portfolio/Legal: Rose Marie Sawicki

The PERSI staff is doing its job for your gain sharing, now it is up to you. For your *Choice* account you make your own investment decisions.

Learn everything you can about your new *Choice* Plan. Become actively involved in saving and investing for your retirement. With your PERSI *Choice* Plan, the choice is truly up to you. 

Gain sharing continued from page 1

contributions owed to PERSI. In 2001, this will be approximately 44% of what is owed for the year. There are no restrictions on how your employer may utilize their PERSI savings other than those generally applicable to them. (State agencies must follow DFM guidance.) PERSI is not involved in the spending decision in any way. And your regular PERSI *BasePlan* benefits and contributions are in no way reduced or affected by gain sharing or your employer's credit.

PERSI's 23,000 retirees will share \$18.6 million in the form of "13th checks" in January. The amount of the payments will be about 106% of the member's regular monthly PERSI check. The **average** retiree with a monthly benefit of around \$800 will receive an additional check for about \$848.

Important Things to Remember about Gain Sharing and your Choice Plan

- Gain sharing and your *ChoicePlan* account are in addition to your regular PERSI *BasePlan*. Your *BasePlan* benefits and contributions are not affected in any way by the new plan.
- Gain sharing distributions may or may not occur annually, depending on PERSI's earnings and funding status.
- The funds in your *Choice* account are tax-deferred and, like your *BasePlan*, are not available to you until you terminate employment or retire.

This year, we are extremely pleased to be able to share our financial success with you in the form of this gain sharing payment. We hope that you will choose to make voluntary contributions to the *ChoicePlan* to supplement your PERSI *Base* retirement and ensure the comfortable and secure retirement you deserve.

If you have any questions, call the PERSI *Choice* Plan toll free at 1-866-437-3774 (1-866-ID-PERSI). The phone will "go live" February 1, 2001. ♦



At the press conference announcing Gain Sharing, Governor Kempthorne (front) reacts to a comment along with (from left to right) PERSI Board members Pamela Ahrens and Susan Simmons, Senator Grant Ipsen, Representative Robert Schaefer and Senator Dean Cameron.



Retirement Board Chairman, Jody B. Olson (left) presents a check at the press conference announcing gain sharing. Also visible (left to right) PERSI Board members Kirk Sullivan and Pamela Ahrens, Senator Hal Bunderson, Representative Robert Schaefer, Senator Dean Cameron and PERSI Board member Dennis Johnson.

How much Gain Sharing will you receive?

Projected January 2001 Gain Sharing Distributions

Active Members	\$59 million
Retirees	\$18.6 million
Employers	\$77.7 million
Total Gain Sharing for the Year	\$155.4 million

You must be an eligible active member to receive gain sharing. (See *Eligibility* on page 3.) Your gain sharing amount is based on your PERSI *Base Plan* account balance as of June 30, 2000. Refer to your annual statement to estimate your gain sharing payment amount.

Estimated Member Account Balances and Gain Sharing Payments

Account Balance			Average Balance & Payment						
	\$10,000	\$20,000	\$24,475	\$30,000	\$40,000	\$50,000	\$60,000	\$70,000	
Estimated Gain Sharing Payment	\$456	\$911	\$1,115	\$1,367	\$1,822	\$2,278	\$2,733	\$3,189	

The above is based on a \$155.4 million gain sharing distribution. As fiduciaries, the Retirement Board reserves the authority to change the distribution amount or to cancel gain sharing should economic circumstances require them to do so to ensure the stability of the PERSI fund.

Gain sharing distributions are expected to occur January 31, 2001. You will receive a notice in early February, 2001 confirming your payment amount. Gain sharing funds may not be withdrawn unless you retire or terminate work. ♦

PERSI now has two plans: a *Base* Plan and a *Choice* Plan

With the addition of gain sharing, most members now have two PERSI accounts:

Base Plan - this is your regular, current PERSI plan you've always had. Your benefits and contributions to the *Base* Plan will not change or be affected in any way by the addition of the new plan. Your *Base* Plan is a *Defined Benefit* plan, meaning the retirement benefit you receive is based on a defined formula.

Choice Plan - this is your new PERSI account that will contain your gain sharing distributions, any voluntary contributions you make, and the earnings on those funds. Your *Choice* Plan is a *Defined Contribution* plan, meaning that the amount you receive at retirement is based on the contributions and earnings in the plan.

To help us offer the best gain sharing plan possible we have joined with two excellent organizations: **Educational Technologies Inc (ETI)** will help us bring many learning opportunities to you. **Mellon/Dreyfus** will be our *Choice* Plan recordkeeper, and will answer account questions, work with you when you want to make voluntary contributions, and so on.

Are you eligible for Gain Sharing?

You must have 12 months of membership service, and must be an active member at the end of the fiscal year (June 30) to be eligible for gain sharing for that year. So, you must have been active on June 30, 2000 to receive gain sharing this time.

For gain sharing purposes, active members also include:

- Seasonal employees who have a pattern of employment that includes at least six months of service in each of the preceding three consecutive years,
- Employees who are on leave of absence on the last day of the fiscal year (June 30) and either:
 - return to active service for at least 30 days before December 31 or
 - are eligible for benefits under the Uniformed Services Employment and Re-employment Rights Act of 1994 (USERRA). If your employment is interrupted due to military service check with PERSI about gain sharing eligibility.

Minimum Gain Sharing Payment Amount

Because of the costs associated with establishing and maintaining individual *Choice* accounts, gain sharing amounts less than a certain amount (to be determined) will not be allocated. This generally applies only to members with very small monthly salaries, such as part-time elected or appointed officials. Because voluntary contributions are also limited for these members, the costs of maintaining an individual account would usually exceed the amounts that could be deferred or allocated.

Education on *Base* and *Choice* Plans Coming Your Way

By Bill Duncan

PERSI is launching a major educational campaign in the coming months to inform you of the features of your *Base* Plan (the Defined Benefit plan PERSI has offered since 1965) and *Choice* Plan (the new Defined Contribution plan offered because of gain sharing), investment strategies, and other options available to you for ensuring your own financial success.

The educational campaign will begin with a custom web site that will feature schedules of upcoming in-person presentations, modeling software, investment education and links to other useful sites. This site will be updated weekly to keep you informed of what is going on. The proposed launch date for the site is mid-December 2000.

PERSI will also offer toll-free telephone support services that you may call to get qualified information on investment concepts, account balances, and other valuable services. The phone support is scheduled to be up and running February 1, 2001. Call toll-free at 1-866-ID-PERSI.


In February, in addition to your confirmation notice, PERSI will send you a video/bookpack that will explain the *Base* and *Choice* plans. It will describe the structure of 401(k) plans and it will help you to understand how you can best utilize your PERSI plans for a secure retirement.

Finally, in April 2001, PERSI will begin to offer classroom workshops for all 60,000 members. Over 600 group meetings will take place over the next two years all over the state. These workshops will give an in-depth explanation of the *Base* and *Choice* plans, offer qualified financial planning information, savings strategies, investment research tips, and much more! Watch the web site or call the toll free number to find out when a workshop is coming to your area.

As always, PERSI is dedicated to assisting you in planning a secure retirement by providing high-quality, friendly service, retirement education and information.

For more information, see the enclosed insert from our partner for education, Educational Technologies Inc (ETI).

IDAHO



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Warning: Separation benefit payments may void Gain Sharing

If you are considering terminating work and taking a PERSI separation benefit, you should know that doing so *will void any rights you may otherwise have to certain gain sharing payments.*

If you were actively working as of June 30 and had 12 months of PERSI service, you may be entitled to possible gain sharing payments January 2001. However, if you terminate work and take a separation benefit between June 30 and the January gain sharing distribution, you forfeit your rights to any possible gain sharing payment. If you leave your funds in until after January 2001 and then request a separation benefit, you may then withdraw your PERSI *Base* Plan funds and your gain sharing payment (if any).

2001 *Base* Plan Interest Rate: 12.86%

Beginning January 1, 2001, the interest rate credited to PERSI *Base* Plan accounts will be 12.86%.

As you may recall, last year the Retirement Board approved changing the Regular Interest Rate credited to member accounts to an amount equal to PERSI's net investment return rate. The rate for each calendar year is based on the annual net rate of return at the end of the previous fiscal year (June 30). The interest rate will change January 1 of each year based on investment performance for the fiscal year ending the previous June 30. For calendar year 2000, the Regular Interest Rate paid to members was 11.11%.

If the investment return for any fiscal year is less than the average of quarter-ending rates for 90-day Treasury Bills for the year, regular interest will be at least equal to that T-bill average. Previously, the interest rate was based on the rate paid by local banks on one and two year certificates of deposits with a \$5,000 minimum balance.

2001 Proposed legislation

PERSI will be submitting the following pieces of legislation for 2001:

- Technical Corrections** — This is a collection of four minor corrections to existing law to:
- Clarify when erroneous employee contributions may be refunded;
 - Remove the statutory limit (less than \$20) for commutation of benefits, and replace it with Board authority to determine the limit by rule;
 - Clarify the scope of In-Service Disability Retirement so that the "hired on or after July 1, 1993" limitation applies only to firefighters;
 - Correct an erroneous statutory reference in Idaho Code 59-1396 from 72-1445 to 72-1444.

Waiver of Excess Cost for New Employers — To give the Board the authority to waive excess cost payments when a new employer remains in PERSI for at least ten years.

Spousal Access to Information — To allow PERSI the authority to release certain member account information to a spouse or ex-spouse.

Understanding your new PERSI statement

This year you will notice that your PERSI annual statements have a whole new look. We’ve enhanced and expanded the statements to provide you with information not just on your retirement benefit, but on all your PERSI benefits – disability, death and separation benefits.

Retirement Benefit

This box shows the formula used to calculate your retirement benefit. It uses the actual data we have on record for you **as of June 30, 2000**, including your months of service and highest average monthly salary. It also uses the statutory multiplier that applies to your membership type (.02% for general members, .023% for police/firefighters). If you have mixed general and police/fire service, both calculations will show.

The amount shown is the benefit that you have earned thus far. If you quit work as of the statement date, this is what your benefit would be at your service retirement age (65 for general, 60 for police/fire).

If you are not vested to a lifetime retirement benefit, there will not be a benefit amount shown here. Instead, you will have a sentence telling you how many more months you need to be vested to a lifetime benefit.

Disability Benefit

Should you become disabled and are unable to work, you may be eligible to receive disability retirement. You must be an active member at the time you become disabled to be eligible for this benefit. This box shows the formula used to calculate a disability benefit. We regret, however, that this year, due to complications with converting to our new computer system, we are unable to use actual calculations here.

Generally, you must have five years of service to be eligible for disability retirement. If you do not have enough service to be eligible for a disability retirement benefit, you will have a sentence telling you how many more months you need to be eligible.

Separation Benefit

If you terminate work, you may withdraw your contributions and interest as a Separation

Benefit. If you are vested to a lifetime retirement benefit, we suggest that you consult with PERSI before withdrawing your funds, as a separation benefit is paid in lieu of a retirement benefit. Generally, the total of your lifetime retirement benefit will far exceed your account balance. This box shows your account balance for the previous year, your contributions and interest added this year and your new balance. It also shows the total taxed and non-taxed contributions and your total interest. The total account amount equals your separation benefit amount as of June 30, 2000.

Death Benefit

If you die, your beneficiaries will be paid a Death Benefit. This box shows your total contributions and interest (same total as the separation benefit amount). If you are not vested, this amount is also the death benefit amount. If you are vested, the amount is doubled for the death benefit.

This box also lists your beneficiaries including their share of the death benefit.

Credited Service and Average Monthly Salary

This box shows your previous months of service, the months earned this past year and your new total as of June 30, 2000. It also shows your average monthly salary over the base period. This salary amount is used in the retirement calculation.

Accrued Benefits

This box shows the retirement benefits you will receive at future dates assuming you quit work as of the statement date. It shows benefits at your earliest retirement date (age 55 general, 50 police/fire), Rule of 80/90 date and service retirement date.

Projected Benefits

This box shows projected retirement benefits assuming you continue working to the dates shown. We’ve projected assuming that your salary increases of 0% and 3% per year to show how this changes benefit amounts.

Name, Address, Date of Birth, etc.

Your name, Social Security Number, Employer

Number and Address appear here. This year, your employer address is given instead of your home address. Next year, when employers start using a new reporting system, actual home addresses will appear here and the statements will be sent to your home. If we do not have an address, the statement will be sent to your employer.

Date of Birth - We know you might not have been born on the first!

On past statements, your date of birth showed as month and year (month/year). On our new computer system, your date of birth will include the day (month/day/year). Until we fully convert to the new system, your date of birth will show as month/01/year. What you need to check is that the month and year are correct. The day of the month doesn’t change any retirement calculations. Once we convert to the new system, it will update your date of birth to include the day of the month. Please do not call us to say your date of birth isn’t the first of the month. This will be updated this coming year.

Statements are Estimates Only!

Please remember that **all of the amounts on your statement are estimates only. Circumstances in your employment or salary history may change benefit amounts. Any future changes in salary or other factors will also affect the amounts.** Your actual retirement benefit is determined at your time of retirement when we will review your employment history in detail. The actual calculation may differ from this estimate. In the event of a discrepancy, benefits will be paid in accordance with applicable laws.

Questions

Every effort has been made to ensure the accuracy of your statement. If any of the information in your statement appears to be incorrect, or if you have questions, please fax or write to your area PERSI office, and include a copy of your statement with the correction(s) indicated. We can resolve your questions more quickly this way. If a review indicates an error, your records will be adjusted and verification will be returned to you. Should any discrepancy or error occur, plan provisions will take precedence. ◆

BENEFITS SUMMARY		Based on account information as of 6/30/2000		CREDITED SERVICE and AVERAGE MONTHLY SALARY			
RETIREMENT BENEFIT		DISABILITY BENEFIT		Months of Credited Service as of 6/30/1999 180			
Formula used to calculate your benefit:		Formula used to calculate your benefit:		Months of Service Earned 7/1/1999 to 6/30/2000 12			
Months of Credited Service 192		Months of Credited Service		Total Months of Service as of 6/30/2000 192			
x Average Monthly Salary \$2,220.98		x Average Monthly Salary		Average Monthly Salary (Average gross salary paid during your highest 42 months) \$2,220.98			
x Statutory Multiplier .02000		x Statutory Multiplier		ACCRUED BENEFITS			
= Annual Benefit \$8,528.56		= Annual Benefit		Your retirement benefits are based on your total credited service and your highest consecutive average monthly salary over a 42-month period. If you terminated employment as of 6/30/2000 the monthly retirement benefits payable for your lifetime once you reach retirement would be:			
÷ 12		÷ 12		Early Retirement at Age 55 on 09/01/2014 \$399.78			
= Monthly Service Retirement Benefit \$710.71		= Monthly Disability Retirement Benefit		Early Retirement at Age 60 on 09/01/2019 \$604.11			
This estimate reflects the benefit you have earned thus far. It shows a regular retirement allowance at age 65 with no subsequent service, no benefit enhancements, and no inflationary adjustments. See the following sections for additional accrued and projected benefit amounts.		Should you become disabled as defined by applicable law, you may be eligible to receive disability retirement benefits. You must be an active member to be eligible for this benefit. Above is the formula used to calculate your disability retirement amount. Disability retirement adds months of service to age 65 (360 maximum). Benefits may be offset by Workers' Compensation benefits. If you must consider disability retirement, ask to have your record reviewed by PERSI to ensure you are eligible to receive disability benefits.		Rule of 80/90: You will reach service retirement age first.			
				Service Retirement at Age 65 on 09/01/2024 \$710.71			
				Your early retirement amounts are equal to the Service Retirement amount reduced by early retirement factors. These estimates are based on the Service Retirement single life option, which is only one of several payment options available to you at retirement. The payment options include: a regular allowance covering your lifetime only; a reduced benefit in the form of a 100% or 50% Contingent Annuitant option covering your lifetime and the lifetime of a designated contingent annuitant thereafter, and if under Social Security Normal Retirement Age (65-67 depending on year of birth), options which would allow you to draw an increased retirement benefit until Social Security Normal Retirement Age and a reduced amount thereafter. These other options require information concerning your Social Security estimate and your Contingent Annuitant to calculate. See your Member Handbook for more information.			
SEPARATION BENEFIT (Your Account Balance)		DEATH BENEFIT		PROJECTED BENEFITS			
Account balance as of 6/30/1999 \$25,483.42		Member Contributions \$19,298.73		If you continue working to the dates shown, the following are general estimates of what your monthly retirement benefit could be. Here, we project what your benefits would be if your average monthly salary remains constant (increases 0% per year) or increases 3% per year until the date indicated. If your salary increases at a different rate, your benefit will be different.			
Contributions from 7/1/1999 to 6/30/2000 \$1,617.36		Accrued Interest \$9,851.01					
Accrued Interest 7/1/1999 to 6/30/2000 \$2,048.96		Accumulated Contributions \$29,149.74					
Total Account as of 6/30/2000 \$29,149.74		x 2 = Death Benefit \$58,299.48					
Separation Benefit = Total Account \$29,149.74		Beneficiaries:					
Of your total account, your contributions are taxed or tax-deferred as follows:		Lisa Sample Primary 20%					
		Child Sample Secondary 10%					
		Child Sample Secondary 10%					
		Child Sample Secondary 10%					
		Child Sample Secondary 10%					
Total Taxed Contributions \$.00		You have more than 5 beneficiaries. All are not listed.					
Total Tax-Deferred Contributions \$19,298.73		If you die before retirement, a death benefit will be paid to your beneficiary(ies). If your beneficiary is your surviving spouse, he or she may choose an optional annuity benefit similar to the retirement benefit above.					
Total Interest (Tax-Deferred) \$9,851.01							
A Separation Benefit is a lump sum payment of your account balance plus interest. It is available only if you terminate work. There are many regulations and tax consequences involved with Separation Benefits. Because you are vested to a lifetime retirement benefit, we suggest you consult with PERSI before withdrawing your funds as a Separation Benefit is paid in lieu of a retirement benefit and cancels any credited service. Your account balance and the interest you earn do not affect the amount of your retirement benefit. When you retire, you receive the retirement benefit amount calculated in the box above, not the account amount shown in this box. Generally, the total of your lifetime retirement benefit will far exceed your account balance.							